

14 November 1965

MEMORANDUM FOR THE RECORD

SUBJECT: Economic Warfare Activities

1. In August 1965 an informal, interagency committee was organized to examine the whole range of questions connected with VC capabilities for waging subversive activities in the economic field, diverting U.S. economic assistance to South Vietnam to benefit the Communist cause, and generating revenue in Vietnam and abroad to support Communist insurgency.

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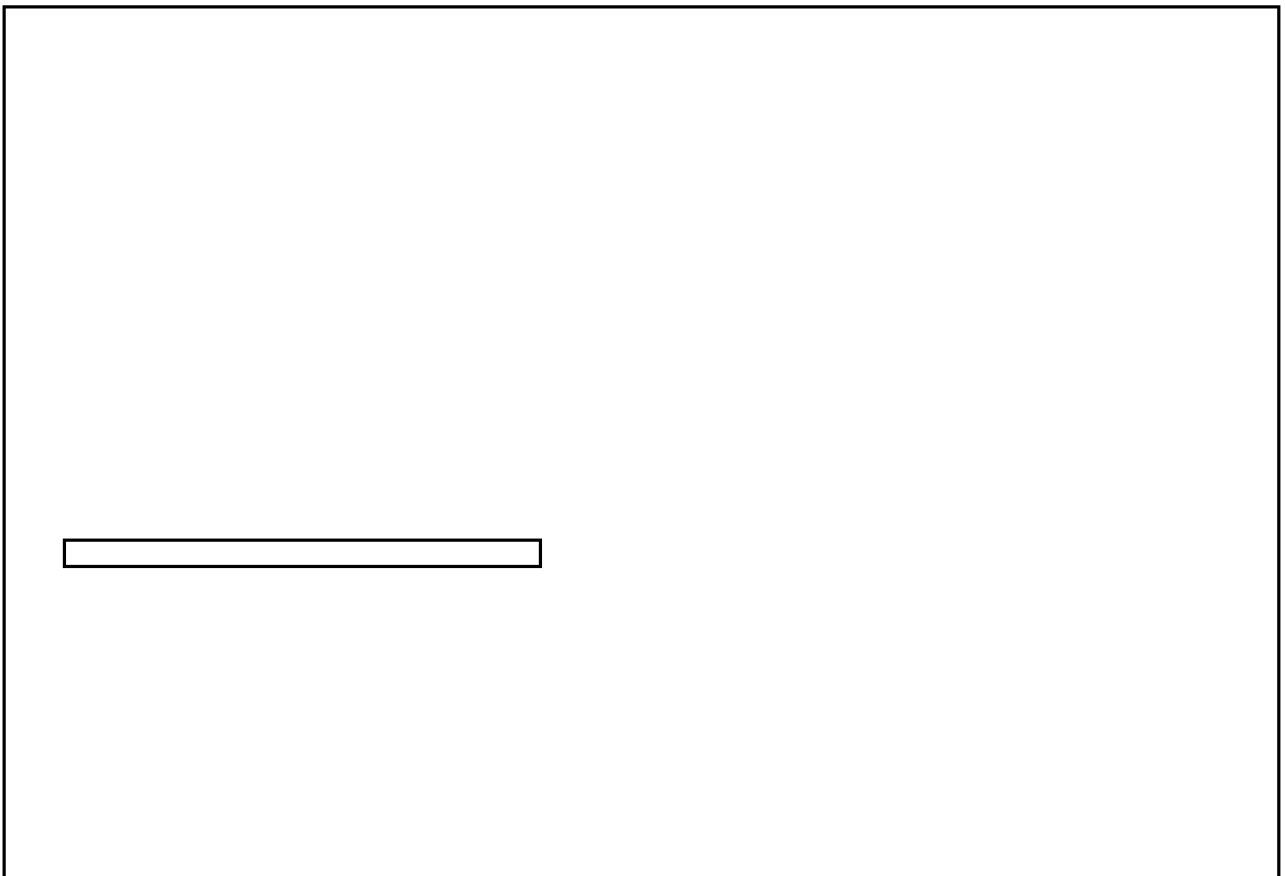
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of VC economic subversive activities including the diversion of U.S. aid to Communist benefit -- though



As a result of these briefings, considerable pressure has been built up for a more effective, intensive, and coordinated U.S. Government effort -- in Washington, in Vietnam, and around the world -- to address itself to the economic subversion and diversion problem and to develop appropriate countermeasures to thwart or hamper Communist activity at all levels in this field.

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a. VC potential for diverting goods -- both AID-financed and non-AID-financed -- to benefit the VC cause in various ways and with the VC's potential for conducting a variety of measures to undermine the economy of South Vietnam (e.g., moving commodities such as rice out of the country for export in channels profitable to the Communists and detrimental to the welfare of South Vietnam).

b. The real prospect that there exists a Chinese Communist controlled international commercial organization dealing in a wide variety of goods and heavily involved in the illicit manipulation of foreign exchange to benefit the Chinese Communists in many ways, including that of providing funds to support political subversion throughout Asia. [redacted] felt, though he could not prove, that this Chinese Communist economic organization was tied in with the commercial and financial activities of various European Communist parties, particularly the Italian.

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a start should be made by doing the following:

a. Developing a list of critical commodities which the VC urgently need or in which they are extensively trafficking. Such a list could be compiled from a variety of sources, including an analysis of categories of goods and supplies found in VC depots and equipment caches discovered by GVN and U.S. troops.

b. Developing information on techniques that have been used in the past or are now being used to divert commodities in transit or in warehouses from their declared destinations into other channels for delivery to different end users. The techniques that had been used in other areas in the past (e.g., Communist diversion in the 1950's of PL 480 wheat ostensibly destined for Austria) are probably still being used today.

c. An analysis of financial arrangements and manipulations employed to facilitate such diversions as outlined above.

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and relay point for Chinese Communist economic activities. He also feels that Cambodia is important in Communist activities related to Vietnam and is probably the prime channel for illicit Communist export of South Vietnamese rice. He wants a study of these matters and an identification of the individuals and firms involved in such transactions.

e. An analysis of trade patterns between Europe and the Far East, particularly Communist Far East, to see what goods are moving out of Europe and to determine if any of this trade involves the illicit manipulation or diversion of AID-financed commodities.

f. An analysis of the world traffic and flow in gold, particularly as it relates to the declared or covert financial and commercial activities of Communist China.

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